

STAFF REPORT

Consent Agenda Item

DATE: September 21, 2026

TO: Honorable Mayor and City Council

FROM: Aaron Felmlee, Finance Director

SUBJECT: Finance Department Monthly Report

STAFF RECOMMENDATION:

Receive report as an informational item.

EXECUTIVE SUMMARY:

Sales Tax Revenue:

The City received sales tax revenue reports from its sales tax consultant, HdL, for the period of January through March 2026. Sales tax revenue increased 0.5% compared to the same period in 2025. For comparison, statewide sales tax revenue increased 4.0% during the same period. Fortuna and Humboldt County are therefore underperforming the statewide trend, which may indicate that local economic conditions are weaker than the broader state economy. Additional information regarding first-quarter 2026 sales tax performance is provided in the Newsletter attached to this staff report.

Sales tax revenue for the City came in approximately \$5,000 below the budgeted amount of \$2,168,500 for FY 2025-26. This represents an approximate 1% increase over the prior fiscal year's revenue. However, total sales tax revenue remains approximately \$150,000 below the amount received in FY 2021-22.

Looking ahead, the City budgeted conservatively for FY 2026-27, incorporating anticipated macroeconomic conditions into the budgeted sales tax revenue of \$2,163,000. Based on current revenue performance and the conservative approach used in developing the FY 2026-27 budget, no immediate action is necessary.

Fiscal Year 2024-25 Financial Statement Audit:

July 1 signaled the start of a new fiscal year for the City. As such, staff are working on closing the previous fiscal year and preparing for the City's annual financial statement audit. The City's auditor will be Michael O'Connor from O'Connor and Company who also performed last year's audit for the City. Michael and his staff are planning to come on site for a week to conduct interim audit work during the month of October.

Finance staff will be preparing for this interim audit work by preparing the necessary reconciliations, reports, adjustments and backup information that is required during the audit process. Having these documents ready prior to the auditors' arrival has provided for a smooth audit process in past years.

Measure E Update:

The Measure E committee's next regularly scheduled meeting is set for October 14, 2026, at 5:30pm. The primary purpose of this meeting will be for Staff to review with the Committee the list of Measure E funded projects that were included in the Council Adopted Budget for fiscal year 2026-27.

List of Measure E items funded this month:

- (2) Police Detective Positions
- Police Community Services Officer Position
- Police Records Clerk Position
- Parks and Recreation Director Position
- Recreation Program Supervisor Position
- Transit Trips to Eureka for Seniors
- K-9 Program
- Encampment Outreach and Cleanup Services
- Storm Drain Maintenance Projects
- Street Maintenance Projects

An activity log displaying important Finance data is attached for informational purposes.

STRATEGIC PLAN 2026-2036:

This action supports the following area(s) of your City Council's Strategic Plan 2026-2036.

CORE VALUES:

Community Connection & Care: Close-knit feel, big community events, volunteering, showing up for each other.

Economic Resilience The status quo is not sustainable. Generating City revenue is essential to keeping City services and investing in what Fortuna residents want.

Committed Service Recognition that staff put care into their hard work to provide vital and efficient services, are appreciated by the community, and deserve support.

PRIORITIES:

Priority 1: Clarity, Culture & Capacity for Organizational Health

Priority 3: Fiscal Foundation — Revenue, Cost Accounting & Honest Commitments

Priority 4: Economic Development to Build Fortuna's Future

Priority 8: Youth, Recreation & Community Life

FISCAL IMPACT:

None.

RECOMMENDED COUNCIL ACTION:

Motion to receive Finance department monthly report. Consent Agenda vote.

ATTACHMENTS:

- Finance Staff Activity Log for August 2026
- Sales Tax Newsletter January – March 2026